

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2017-2-E

In re: Annual Review of Base  
Rates for Fuel Costs for South  
Carolina Electric & Gas Company

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**PETITION FOR AN ORDER REQUIRING  
SOUTH CAROLINA ELECTRIC AND GAS  
COMPANY TO COMPLY WITH  
COMMISSION ORDER NO. 2018-55**

**Introduction**

Pursuant to 26 S.C. Code Ann. Regs. 103-825, Intervenor South Carolina Coastal Conservation League and Southern Alliance for Clean Energy respectfully submit this Petition requesting that the Public Service Commission (“Commission”) order South Carolina Electric & Gas (“SCE&G”) to comply with Commission Order No. 2018-55, dated January 24, 2018.

**Background and Support for Petition**

In last year’s fuel cost docket, Docket No. 2017-2-E, the Commission granted SCE&G’s request to update avoided cost rates every six months, finding that “this process reflects a reasonable and appropriate balance between the need to update rates to reflect updated information in the Company’s future capacity needs while also providing rate stability and continuity.” Order No. 2017-246 at 22 (April 27, 2017).

On December 22, 2017, SCE&G requested a waiver of its obligation to file a six-month update to avoided cost rates, citing uncertainty due to recent events such as the abandonment of new nuclear units at V.C. Summer Station. SCE&G also expressed its intent to implement changes to its avoided cost calculation related to how the Company

calculates capacity value, which the Company stated would be more appropriately considered in the annual fuel proceeding.

In Intervenors' January 16, 2018 response objecting to SCE&G's waiver request, Intervenors expressed concern that there would be significant proposed changes to the methodology that would be inconsistent with federal law, and in violation of the settlement reached by various parties after the passage of Act 236. The primary relief sought by Intervenors was for the Commission to order SCE&G to "file its six-month update to the PR-2 rate within the next two weeks, containing updated energy and capacity values that comply with the methodology laid out by this Commission in past orders." In the alternative, if the Commission were to grant SCE&G's request for a waiver, Intervenors asked for the following relief: "at the very least the utility must file its six month update on February 23, 2018, the date by which it is required to file its testimony in the 2018 fuel cost docket." Intervenors went on to ask that the filing "be based on the prior approved methodology, without any unapproved and unilateral changes made by the Company."

On January 24, 2018, this Commission issued Order No. 2018-55 in Docket 2017-2-E, granting SCE&G's request for a waiver. The Commission agreed that uncertainty driven by recent events, as well as judicial economy, warranted addressing the issues raised in the context of the annual fuel proceeding. The Commission also noted that any proposed changes to avoided cost calculations should be considered in the next annual proceeding.

In that Order, the Commission also adopted the alternative relief made by Intervenors in their objection to SCE&G's waiver. The Commission's Order stated: "One

point the Coastal Conservation League made in its response was a request to require SCE&G to put that proposed rate in its prefiled testimony in the fuel proceeding, and I agree that we ought to require SCE&G to do that.”

Based on a plain reading of the Commission’s Order, then, on February 23, 2018, SCE&G was obligated to file not only its 2018 rates (which the Commission anticipated would include underlying changes to inputs), but also “that proposed rate” at issue in the waiver request: SCE&G’s updated six-month PR-2 rate, which would not reflect any changes to methodology but rather would be based on methods approved by the Commission in prior orders.

Contrary to the Commission’s Order, it does not appear that SCE&G filed this PR-2 updated rate in either Docket 2017-2-E or Docket 2018-2-E. Rather, it appears that the methodology utilized by SCE&G to calculate avoided cost values in its testimony filed on February 23, 2018 has been significantly altered from the methodology that was approved by this Commission last year in Docket 2017-2-E. Docket No. 2017-2-E, Order No. 2017-246 at 21-23, 28-29, 34, 52-53, 55, Apr. 27, 2017. Specifically, last year SCE&G used a capacity valuation methodology where it first calculated the capacity value over a 15-year planning period using a difference in revenue requirement methodology. Then it allocated that capacity value based on the frequency with which load was within 95% of seasonal peak. This year, the Company took the position that QF capacity has no value at all because it does not provide peak contribution in the winter. This is a completely different methodology that has profound impacts on the capacity value of qualifying facilities.

This change is but one illustration of the myriad ways that SCE&G has altered not only the updated inputs to its methodology for calculating avoided cost values, as one would expect, but has fundamentally altered the actual methodology itself.

Further, it appears that all of the avoided cost numbers filed on that date incorporate similar changes to the underlying methodology. To date, and by necessity of due process, no new avoided cost methodology has been approved by the Commission. Absent approval of a new methodology, the currently-approved avoided cost methodology must be applied exactly, without change to any parameters except for updated data. SCE&G, having been directed by Order 2017-246 to follow this methodology, and having been directed by Order 2018-55 to file its tariff update on February 23, 2018, has failed to follow the Commission's orders.

South Carolina law mandates that “[e]ach electrical utility . . . must obey and comply with all requirements of every order, decision, direction, rule or regulation made or prescribed by the Public Service Commission or every direction, rule, or regulation made or prescribed by the Office of Regulatory Staff pursuant to this chapter or in relation to any other matter relating to or affecting the business of the electrical utility . . . and must do everything necessary or proper to comply with and observe every order, decision, direction, rule, or regulation by all of its officers, agents and employees.” Section 58-27-40.

### **Conclusion**

WHEREFORE, Intervenors respectfully request that the Commission issue an order requiring SCE&G to comply with its January 24 Order by filing an updated PR-2 rate based on approved methodology within seven days; that the Commission grant

parties in Docket 2018-2-E the right to file supplemental testimony related to SCE&G's filing once it has been made; that the Commission expedite its consideration of this petition in light of its impact on issues currently being considered in Docket 2018-2-E, which is set for hearing on April 10, 2018; and that the Commission order any other appropriate action the Commission may deem necessary.

Respectfully submitted this 21<sup>st</sup> day of March, 2018.

s/ J. Blanding Holman, IV

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CERTIFICATE OF SERVICE

I hereby certify that the parties listed below have been served via electronic mail with a copy of the Petition for an Order of the South Carolina Coastal Conservation League and Southern Alliance for Clean Energy.

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This 21<sup>st</sup> day of March, 2018.

s/ Anna M. Crowder